

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**NORIDIAN HEALTHCARE SOLUTIONS,
LLC, DID NOT CLAIM SOME
ALLOWABLE MEDICARE PENSION COSTS
FOR CALENDAR YEARS
2014 THROUGH 2016**

*Inquiries about this report may be addressed to the Office of Public Affairs at
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Amy J. Frontz
Deputy Inspector General
for Audit Services

January 2022
A-07-21-00602

Office of Inspector General

<https://oig.hhs.gov/>

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OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

Report in Brief

Date: January 2022

Report No. A-07-21-00602

U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL



Why OIG Did This Audit

The Centers for Medicare & Medicaid Services (CMS) reimburses Medicare contractors for a portion of their pension costs, which are funded by the annual contributions that these contractors make to their pension plans.

The HHS, OIG, Office of Audit Services, Region VII pension audit team reviews the cost elements related to qualified defined-benefit, postretirement benefit, and any other pension-related cost elements claimed by Medicare contractors through Incurred Cost Proposals (ICPs).

Previous OIG audits found that Medicare contractors did not always comply with Federal requirements when claiming pension costs for Medicare reimbursement.

Our objective was to determine whether the calendar years (CYs) 2014 through 2016 pension costs that Noridian Healthcare Solutions, LLC (NHS), claimed for Medicare reimbursement, and reported on its ICPs, were allowable and correctly claimed.

How OIG Did This Audit

We reviewed \$14.2 million of pension costs that NHS claimed for Medicare reimbursement on its ICPs for CYs 2014 through 2016.

Noridian Healthcare Solutions, LLC, Did Not Claim Some Allowable Medicare Pension Costs for Calendar Years 2014 Through 2016

What OIG Found

NHS claimed pension costs of \$14.2 million for Medicare reimbursement, through its ICPs, for CYs 2014 through 2016; however, we determined that the allowable Cost Accounting Standards-based pension costs during this period were \$14.9 million. The difference, \$629,072, represented allowable Medicare pension costs that NHS did not claim on its ICPs for CYs 2014 through 2016. This underclaim occurred specifically because NHS based its claim for Medicare reimbursement on incorrect pension costs included in the indirect cost rates on the ICPs.

What OIG Recommends and Auditee Comments

We recommend that NHS work with CMS to ensure that its final settlement of contract costs reflects an increase in Medicare pension costs of \$629,072 for CYs 2014 through 2016.

NHS neither agreed nor disagreed with our finding that the allowable Medicare pension costs in the ICPs for CYs 2014 through 2016 were understated, but added that it generally agreed with the methodology we used for the finding. NHS further stated that it would work with CMS to ensure a final settlement of the contract costs to include an appropriate adjustment to Medicare pension costs for CYs 2014 through 2016, consistent with the methodology as documented in this report.

We acknowledge that our audited adjustments take time for auditees like NHS to review. We gave NHS a total of 60 days to respond to our draft report, and we provided NHS with the audited actuarial computations (which included the audited allocable pension costs used to determine the indirect cost rates).

Although NHS did not specifically agree or disagree with our finding, NHS did generally agree with the methodology we used to calculate the allowable pension costs. We continue to recommend, using that methodology, that NHS work with CMS to ensure that its final settlement of contract costs reflects an increase in Medicare pension costs of \$629,072 for CYs 2014 through 2016. Therefore, we maintain that our finding and recommendation remain valid.

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INTRODUCTION

WHY WE DID THIS AUDIT

Medicare contractors are eligible to be reimbursed a portion of their pension costs, which are funded by the annual contributions that these contractors make to their pension plans. The amount of pension costs that the Centers for Medicare & Medicaid Services (CMS) reimburses to the contractors is determined by the allocability and cost reimbursement principles contained in the Federal Acquisition Regulation (FAR), the Cost Accounting Standards (CAS), and the Medicare contracts. Previous Office of Inspector General audits found that Medicare contractors did not always comply with Federal requirements when claiming pension costs for Medicare reimbursement.

At CMS's request, the Department of Health and Human Services (HHS), Office of Inspector General, Office of Audit Services, Region VII pension audit team reviews the cost elements related to qualified defined-benefit, nonqualified defined-benefit, postretirement benefit (PRB), and any other pension-related cost elements claimed by Medicare fiscal intermediaries and carrier contractors and Medicare administrative contractors (MACs) and CAS- and FAR-covered contracts through Final Administrative Cost Proposals, Incurred Cost Proposals (ICPs), or both.

For this audit, we focused on one Medicare contractor, Noridian Healthcare Solutions, LLC, (NHS). In particular, we examined the NHS Medicare segment and Other segment pension costs that NHS claimed for Medicare reimbursement and reported on its ICPs.

OBJECTIVE

Our objective was to determine whether the calendar years (CYs) 2014 through 2016 qualified defined-benefit plan pension costs (herein referred to as "pension costs") that NHS claimed for Medicare reimbursement, and reported on its ICPs, were allowable and correctly claimed.

BACKGROUND

Noridian Healthcare Solutions, LLC, and Medicare

NHS is a subsidiary of Blue Cross Blue Shield of North Dakota (BCBS North Dakota) (formerly Noridian Mutual Insurance Company), whose home office is in Fargo, North Dakota. NHS administered Medicare Part A, Medicare Part B, and Medicare Durable Medical Equipment (DME) contract operations under MAC contracts for Medicare Parts A and B Jurisdictions E¹ and

¹ Medicare Parts A and B Jurisdiction E includes the States of California, Hawaii, and Nevada, and the U.S. Territories of American Samoa, Guam, and the Northern Mariana Islands.

F² and Medicare DME Jurisdictions A³ and D.⁴ In addition, NHS held the Pricing, Data Analysis and Coding contract.

This report addresses the allowable pension costs claimed by NHS under the provisions of its MAC contracts and CAS- and FAR-covered contracts.

The disclosure statement that NHS submits to CMS states that NHS uses pooled cost accounting. Medicare contractors use pooled cost accounting to calculate the indirect cost rates (whose computations include pension, PRB, and Supplemental Executive Retirement Plan costs) that they submit on their ICPs. Medicare contractors use the indirect cost rates to calculate the contract costs that they report on their ICPs. In turn, CMS uses these indirect cost rates in determining the final indirect cost rates for each contract.⁵

Medicare Reimbursement of Pension Costs

CMS reimburses a portion of the annual contributions that contractors make to their pension plans. The pension costs are included in the computation of the indirect cost rates reported on the ICPs. In turn, CMS uses indirect cost rates in reimbursing costs under cost-reimbursement contracts. To be allowable for Medicare reimbursement, pension costs must be: (1) measured, assigned, and allocated in accordance with CAS 412 and 413 and (2) funded as specified by part 31 of the FAR. In claiming costs, contractors must follow cost reimbursement principles contained in the FAR, the CAS, and the Medicare contracts.

Incurred Cost Proposal Audits

At CMS's request, Kearney & Company, P.C. (Kearney), and Davis Farr, LLP (Farr), performed audits of the ICPs that NHS submitted for CYs 2014 through 2016. The objectives of the Kearney and Farr ICP audits were to determine whether costs were allowable in accordance with the FAR, the HHS Acquisition Regulation, and the CAS.

For our current audit, we relied on the Kearney and Farr ICP audit findings and recommendations when computing the allowable pension costs discussed in this report.

² Medicare Parts A and B Jurisdiction F includes the States of Alaska, Arizona, Idaho, Montana, North Dakota, Oregon, South Dakota, Utah, Washington, and Wyoming.

³ Medicare DME Jurisdiction A includes the States of Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont, and the District of Columbia.

⁴ Medicare DME Jurisdiction D includes the States of Alaska, Arizona, California, Hawaii, Idaho, Iowa, Kansas, Missouri, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, and Wyoming, and the U.S. Territories of American Samoa, Guam, and the Northern Mariana Islands.

⁵ For each CY, each Medicare contractor submits to CMS an ICP that reports the Medicare direct and indirect costs that the contractor incurred during that year. The ICP and supporting data provide the basis for the CMS Contracting Officer and the Medicare contractor to determine the final billing rates for allowable Medicare costs.

We incorporated the results of the Kearney and Farr ICP audits into our computations of the audited indirect cost rates, and ultimately the pension costs claimed, for the contracts subject to the FAR. CMS will use our report on allowable pension costs, as well as the Kearney and Farr ICP audit reports, to determine the final indirect cost rates and the total allowable contract costs for NHS for CYs 2014 through 2016. The cognizant Contracting Officer will perform a final settlement with the contractor to determine the final indirect cost rates. These rates ultimately determine the final costs of each contract.⁶

HOW WE CONDUCTED THIS AUDIT

We reviewed \$14,244,403 of pension costs that NHS claimed for Medicare reimbursement on its ICPs for CYs 2014 through 2016.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objectives.

Appendix A contains details of our audit scope and methodology.

FINDING

NHS claimed pension costs of \$14,244,403 for Medicare reimbursement, through its ICPs, for CYs 2014 through 2016; however, we determined that the allowable CAS-based pension costs during this period were \$14,873,475. The difference, \$629,072, represented allowable Medicare pension costs that NHS did not claim on its ICPs for CYs 2014 through 2016. This underclaim occurred specifically because NHS based its claim for Medicare reimbursement on incorrect pension costs included in the indirect cost rates on the ICPs.

ALLOCABLE MEDICARE SEGMENT PENSION COSTS UNDERSTATED

In a previous audit of NHS's pension costs claimed, we calculated the allocable Medicare segment pension costs for CYs 2014 through 2016 in accordance with Federal requirements.⁷ We determined that the allocable Medicare segment pension costs for CYs 2014 through 2016 totaled \$4,878,521. NHS reported that its allocable pension costs, as identified in its actuarial

⁶ In accordance with FAR 42.705-1(b)(5)(ii) and FAR 42.705-1(b)(5)(iii)(B), the cognizant Contracting Officer shall "[p]repare a written indirect cost rate agreement conforming to the requirements of the contracts" and perform a "[r]econciliation of all costs questioned, with identification of items and amounts allowed or disallowed in the final settlement," respectively.

⁷ We identified the allocable Medicare segment pension costs for CYs 2014 through 2016 in our previous audit (A-07-18-00550, Nov. 6, 2019). For the current audit, we incorporated these allocable pension costs into the indirect cost rates to determine the allowable pension costs.

computations, totaled \$4,133,064. Therefore, NHS understated the Medicare segment allocable pension costs by \$745,457. This understatement occurred because of differences in the calculations of the assignable pension costs.

Table 1 shows the differences between the allocable Medicare segment CAS-based pension costs that we determined for CYs 2014 through 2016 and the Medicare segment pension costs that NHS calculated for the same time period.

Table 1: Allocable Medicare Segment Pension Costs

CY	Allocable Per Audit	Per NHS	Difference
2014	\$3,193,961	\$3,042,149	\$151,812
2015	1,510,306	359,952	1,150,354
2016	174,254	730,963	(556,709)
Total	\$4,878,521	\$4,133,064	\$745,457

ALLOCABLE OTHER SEGMENT PENSION COSTS UNDERSTATED

In the previous audit, we calculated the allocable Other segment pension costs for CYs 2014 through 2016 in accordance with Federal requirements.⁸ We determined that the allocable Other segment pension costs for CYs 2014 through 2016 totaled \$31,066,196. NHS reported that its allocable pension costs, as identified in its actuarial computations, totaled \$29,599,779. Therefore, NHS understated the allocable Other segment pension costs by \$1,466,417. This understatement occurred because of differences in the assignable pension costs.

Table 2 shows the differences between the allocable Other segment pension costs that we determined for CYs 2014 through 2016 and the Other segment pension costs that NHS calculated for the same time period.

Table 2: Allocable Other Segment Pension Costs

CY	Allocable Per Audit	Per NHS	Difference
2014	\$12,714,749	\$11,159,761	\$1,554,988
2015	9,635,647	9,798,574	(162,927)
2016	8,715,800	8,641,444	74,356
Total	\$31,066,196	\$29,599,779	\$1,466,417

⁸ We identified the allocable Other segment pension costs for CYs 2014 through 2016 in our previous pension costs claimed audit (A-07-18-00550, Nov. 6, 2019). For the current audit, we incorporated these allocable pension costs into the indirect cost rates to determine the allowable pension costs. See also Appendix C.

CALCULATION OF ALLOWABLE PENSION COSTS

We used both the Medicare segment and Other segment allocable pension costs to adjust the indirect cost rates (i.e., the fringe benefit and general and administrative rates) to determine the allowable pension costs for Medicare reimbursement for CYs 2014 through 2016.

NHS claimed Medicare pension costs of \$14,244,403 on its ICPs for CYs 2014 through 2016. After incorporating the results of the ICP audits and our adjustments to the indirect cost rates, we determined that the allowable CAS-based pension costs for CYs 2014 through 2016 were \$14,873,475. Thus, NHS did not claim \$629,072 of allowable Medicare pension costs on its ICPs for CYs 2014 through 2016. This underclaim occurred specifically because NHS based its claim for Medicare reimbursement on incorrect pension costs included in the indirect cost rates on the ICPs.

We calculated the allowable Medicare pension costs based on separately computed CAS-based pension costs in accordance with CAS 412 and 413.⁹ For details on the Federal requirements, see Appendix B.

Table 3 compares the Medicare pension costs that we calculated (using our adjusted indirect cost rates) to the pension costs that NHS claimed for Medicare reimbursement for CYs 2014 through 2016.

Table 3: Comparison of Allowable Pension Costs and Claimed Pension Costs

CY	Allowable Per Audit	Per NHS	Difference
2014	\$5,474,787	\$4,961,240	\$513,547
2015	5,374,341	4,743,079	631,262
2016	4,024,347	4,540,084	(515,737)
Total	\$14,873,475	\$14,244,403	\$629,072

RECOMMENDATION

We recommend that Noridian Healthcare Solutions, LLC, work with CMS to ensure that its final settlement of contract costs reflects an increase in Medicare pension costs of \$629,072 for CYs 2014 through 2016.

AUDITEE COMMENTS

In written comments on our draft report, NHS neither agreed nor disagreed with our finding that the allowable Medicare pension costs in the ICPs for CYs 2014 through 2016 were

⁹ Our calculation of allowable costs does not appear in this report because those indirect cost rate computations that NHS used in its ICPs, and to which we referred as part of our audit, are proprietary information.

understated. Specifically, NHS stated that it had not had sufficient time to validate the numbers from the HHS-adjusted ICPs but that it generally agreed with the methodology we used for the finding.

NHS further stated that it would work with CMS to ensure a final settlement of the contract costs to include an appropriate adjustment to Medicare pension costs for CYs 2014 through 2016, consistent with the methodology as documented in this report.

NHS's comments appear in their entirety as Appendix D.¹⁰

OFFICE OF INSPECTOR GENERAL RESPONSE

We acknowledge that our audited adjustments take time for auditees like NHS to review. We gave NHS a total of 60 days to respond to our draft report (which included an extension of 30 days beyond our usual 30 days). Also, before we issued the draft report, we provided NHS with the audited actuarial computations that included the audited allocable pension costs used to determine the indirect cost rates. These rates, in turn, are used to calculate the audited allowable pension costs.

Although NHS did not specifically agree or disagree with our finding, NHS did generally agree with the methodology we used to calculate the allowable pension costs. After reviewing NHS's comments, we continue to recommend, using that methodology, that NHS work with CMS to ensure that its final settlement of contract costs reflects an increase in Medicare pension costs of \$629,072 for CYs 2014 through 2016. Therefore, we maintain that our finding and recommendation remain valid.

¹⁰ Although BCBS North Dakota, of which NHS is a subsidiary, provided written comments on this draft report, for consistency we associate these comments with NHS.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

We reviewed \$14,244,403 of Medicare pension costs that NHS claimed for Medicare reimbursement on its ICPs for CYs 2014 through 2016.

Achieving our objective did not require that we review NHS's overall internal control structures. We reviewed the internal controls related to the pension costs that were included in NHS's ICPs and ultimately used as the basis for Medicare reimbursement, to ensure that these costs were allocable in accordance with the CAS and allowable in accordance with the FAR.

We performed audit work at our office in Jefferson City, Missouri.

METHODOLOGY

To accomplish our objective, we:

- reviewed the portions of the FAR, CAS, and Medicare contracts applicable to this audit;
- reviewed information provided by NHS to identify the amounts of pension costs used in NHS's calculation of indirect cost rates for CYs 2014 through 2016;
- used information that NHS's actuarial consulting firm provided, including information on the pension plan's assets, liabilities, normal costs, contributions, benefit payments, investment earnings, and administrative expenses;
- reviewed the results of the Kearney and Farr ICP audits and incorporated those results into our calculations of allowable pension costs;
- engaged the CMS Office of the Actuary, which provides technical actuarial advice, to calculate the allocable pension costs based on the CAS (the calculations were based on separately computed CAS-based pension costs for the Medicare segment and the Other segment);
- reviewed the CMS actuaries' methodology and calculations; and
- provided the results of our audit to NHS officials on August 5, 2021.

We performed this audit in conjunction with the following audits and used the information obtained during these audits:

- *Noridian Healthcare Solutions, LLC, Understated Its Medicare Segment Pension Assets and Understated Medicare’s Share of the Medicare Segment Excess Pension Assets as of December 31, 2016 (A-07-21-00603);*
- *Noridian Healthcare Solutions, LLC, Did Not Claim Some Allowable Medicare Postretirement Benefit Costs Through Its Incurred Cost Proposals for Calendar Years 2014 Through 2016 (A-07-21-00605);*
- *Noridian Healthcare Solutions, LLC, Claimed Some Unallowable Medicare Pension Costs Through Its Incurred Cost Proposals (A-07-18-00550, Nov. 6, 2019);*
- *Noridian Healthcare Solutions, LLC, Claimed Some Unallowable Medicare Nonqualified Plans Costs Through Its Incurred Cost Proposals (A-07-20-00590, Sep. 16, 2020); and*
- *Noridian Healthcare Solutions, LLC, Claimed Some Unallowable Medicare Nonqualified Restoration Savings Plan Costs Through Its Incurred Cost Proposals (A-07-20-00591, Apr. 7, 2021).*

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objectives.

APPENDIX B: FEDERAL REQUIREMENTS RELATED TO REIMBURSEMENT OF PENSION COSTS

FEDERAL REGULATIONS

Federal regulations (FAR 31.205-6(j)) require Medicare contractors to measure, assign, and allocate the costs of all defined-benefit pension plans in accordance with CAS 412 and 413.

Federal regulations (FAR 52.216-7(a)(1)) address the invoicing requirements and the allowability of payments as determined by the Contracting Officer in accordance with FAR subpart 31.2.

Federal regulations (CAS 412) (as amended) address the determination and measurement of pension cost components. These regulations also address the assignment of pension costs to appropriate accounting periods.

Federal regulations (CAS 413) (as amended) address the valuation of pension assets, allocation of pension costs to segments of an organization, adjustment of pension costs for actuarial gains and losses, and assignment of gains and losses to cost accounting periods.

MEDICARE CONTRACTS

The Medicare contracts require NHS to submit invoices in accordance with FAR 52.216-7, "Allowable Cost & Payment." (See our citation to FAR 52.216-7(a)(1) in "Federal Regulations" above.)

**APPENDIX C: ALLOCABLE MEDICARE PENSION COSTS
FOR NORIDIAN HEALTHCARE SOLUTIONS, LLC,
FOR CALENDAR YEARS 2014 THROUGH 2016***

Date	Description		Total Company	Other Segment	Medicare Segment
2014	Contributions	<u>1/</u>	\$8,000,000	\$8,000,000	\$0
	Contributions Accrued	<u>2/</u>	\$0	\$0	\$0
	Discount for Interest	<u>3/</u>	(\$505,326)	(\$505,326)	\$0
January 1, 2014	Present Value Contributions	<u>4/</u>	\$7,494,674	\$7,494,674	\$0
	Prepayment Credit Applied	<u>5/</u>	\$15,908,710	\$12,714,749	\$3,193,961
	Present Value of Funding	<u>6/</u>	\$23,403,384	\$20,209,423	\$3,193,961
January 1, 2014	CAS Funding Target	<u>7/</u>	\$15,908,710	\$12,714,749	\$3,193,961
	Percentage Funded	<u>8/</u>		100.00%	100.00%
	Funded Pension Cost	<u>9/</u>		\$12,714,749	\$3,193,961
	Allowable Interest	<u>10/</u>		\$0	\$0
2014	CY Allocable Pension Cost	<u>11/</u>		\$12,714,749	\$3,193,961

Date	Description		Total Company	Other Segment	Medicare Segment
2015	Contributions		\$0	\$0	\$0
	Contributions Accrued		\$0	\$0	\$0
	Discount for Interest		\$0	\$0	\$0
January 1, 2015	Present Value Contributions		\$0	\$0	\$0
	Prepayment Credit Applied		\$11,145,953	\$9,635,647	\$1,510,306
	Present Value of Funding		\$11,145,953	\$9,635,647	\$1,510,306
January 1, 2015	CAS Funding Target		\$11,145,953	\$9,635,647	\$1,510,306
	Percentage Funded			100.00%	100.00%
	Funded Pension Cost			\$9,635,647	\$1,510,306
	Allowable Interest			\$0	\$0
2015	CY Allocable Pension Cost			\$9,635,647	\$1,510,306

Date	Description	Total Company	Other Segment	Medicare Segment
2016	Contributions	\$0	\$0	\$0
	Contributions Accrued	\$0	\$0	\$0
	Discount for Interest	\$0	\$0	\$0
January 1, 2016	Present Value Contributions	\$0	\$0	\$0
	Prepayment Credit Applied	\$8,890,054	\$8,715,800	\$174,254
	Present Value of Funding	\$8,890,054	\$8,715,800	\$174,254
January 1, 2016	CAS Funding Target	\$8,890,054	\$8,715,800	\$174,254
	Percentage Funded		100.00%	100.00%
	Funded Pension Cost		\$8,715,800	\$174,254
	Allowable Interest		\$0	\$0
2016	CY Allocable Pension Cost		\$8,715,800	\$174,254

* This appendix was presented in our previous pension costs claimed report (A-07-18-00550, Nov. 6, 2019). The allowable pension costs for CYs 2014 through 2016 were not determined in the previous pension costs claimed audit.

ENDNOTES

- 1/ We obtained these Total Company contribution amounts and dates of deposit from Internal Revenue Service Form 5500 reports. These contributions include deposits made during the CY. We determined the contributions allocated to the Medicare segment during the previous pension segmentation audit (A-07-18-00547).
- 2/ We obtained these Total Company contribution amounts and dates of deposit from Internal Revenue Service Form 5500 reports. These contributions include accrued contributions deposited after the end of the CY but within the time allowed for filing tax returns. We determined the contributions allocated to the Medicare segment during the previous pension segmentation audit (A-07-18-00547).
- 3/ We subtracted the interest that was included in the contributions deposited after the beginning of the valuation year to discount the contributions back to their beginning-of-the-year value. For purposes of this Appendix, we computed the interest as the difference between the present value of contributions (at the CAS valuation interest rate) and actual contribution amounts.
- 4/ The present value of contributions is the value of the contributions discounted from the date of deposit back to the first day of the CY. For purposes of this Appendix, we deemed deposits made after the end of the CY to have been made on the final day of the CY, consistent with the method established by the Employee Retirement Income Security Act prior to the implementation of the Pension Protection Act.
- 5/ A prepayment credit represents the accumulated value of premature funding from the previous year(s). A prepayment credit is created when contributions, plus interest, exceed the end-of-year CAS funding target. A prepayment credit is carried forward, with interest, to fund future CAS pension costs.
- 6/ The present value of funding represents the present value of contributions plus prepayment credits. This is the amount of funding that is available to cover the CAS funding target measured at the first day of the CY.

- 7/ The CAS funding target must be funded by contributions made during the current accounting period or prepaid contributions to satisfy the funding requirement of the FAR 31.205-6(j)(2)(i).
- 8/ The percentage of costs funded is a measure of the portion of the CAS funding target that was funded during the CY. Because any funding in excess of the CAS funding target is accounted for as a prepayment in accordance with CAS 412.50(c)(1), the funded ratio may not exceed 100 percent. We computed the percentage funded as the present value of funding divided by the CAS funding target. For purposes of illustration, the percentage of funding has been rounded to four decimal places.
- 9/ We computed the funded CAS-based pension cost as the CAS funding target multiplied by the percent funded.
- 10/ We assumed that interest on the funded CAS-based pension cost, less the prepayment credit, accrues in the same proportion as the interest on contributions bears to the present value of contributions. However, we limited the interest in accordance with FAR 31.205-6(j)(2)(iii), which does not permit the allowable interest to exceed the interest that would accrue if the CAS funding target, less the prepayment credit, were funded in four equal installments deposited within 30 days after the end of the quarter.
- 11/ The CY allocable CAS pension cost is the amount of pension cost that may be allocated for contract cost purposes.

Blue Cross Blue Shield of North Dakota
4510 13th Avenue South • Fargo, ND 58121



November 12, 2021

Mr. Patrick J. Cogley
Regional Inspector General for Audit Services
HHS, Office of Audit Services Region VII
601 East 12th Street, Room 0429
Kansas City, MO 64106

re: HHS OIG Draft Report No. A-07-21-00602

Mr. Cogley:

Per your September 13, 2021 request, Noridian Healthcare Solutions, LLC (“Noridian”) provides the following response to Draft Report No. A-07-21-00602 entitled, *Noridian Healthcare Solutions, LLC, Did Not Claim Some Allowable Medicare Pension Costs for Calendar Years 2014 Through 2016*. The findings in Draft Report No. A-07-21-00602 are based on adjusted incurred cost proposals that HHS OIG received from the audit firm used by the Centers for Medicare and Medicaid Services (“CMS”) to audit Noridian’s incurred cost, and HHS OIG has further adjusted these proposals based on HHS OIG’s findings in other reports. HHS recently provided Noridian with copies of the adjusted proposals, however Noridian has not had sufficient time to validate all numbers and therefore Noridian is not in a position to agree or disagree with the finding that the allowable Medicare pension costs in the incurred cost reports for calendar years 2014 through 2016 were understated. Noridian generally agrees with the methodology for that finding, as described in Draft Report No. A-07-21-00602.

Noridian will work with CMS to ensure a final settlement of the contract costs to include an appropriate adjustment to Medicare pension costs for calendar years 2014 through 2016, consistent with the methodology in Draft Report No. A-07-21-00602.

Thank you for the opportunity to comment, please contact me at 701-282-1106 or e-mail me at dave.breuer@bcbsnd.com if you have any questions.

Sincerely,

/David Breuer/

David Breuer
Executive Vice President and Chief Financial Officer
Blue Cross and Blue Shield of North Dakota